
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All Counties, Cities and Towns and Redevelopment Commissions

FROM: Courtney Schaafsma, Budget Division Director

RE: Upcoming Responsibilities for Redevelopment Commissions

DATE: June 13, 2014

Redevelopment commissions have a number of statutory responsibilities over the next several months. This memo outlines these various responsibilities, including certain new provisions from Senate Enrolled Acts 118 ("SEA 118") and 367 ("SEA 367") that impact redevelopment commissions in fulfilling these statutory responsibilities. These new provisions are specifically identified in the memo below.

NEW PROVISION

SEA 118 modifies IC 36-7-14-8(b) to require the fiscal officer of the unit that established the redevelopment commission to serve as the treasurer of the redevelopment commission. In this capacity, the fiscal officer of the commission shall follow the same laws for redevelopment funds that apply to other funds and accounts administered by the fiscal officer. In addition, the fiscal officer, as treasurer of the redevelopment commission, shall annually report to the fiscal body before July 1. Since this report is supposed to be completed prior to July 1 and this section of SEA 118 does not become effective until July 1, 2014, this requirement will not be applicable for 2014. At this time, the Department of Local Government Finance ("Department") does not anticipate prescribing a form to be used for this reporting requirement until it becomes applicable in 2015. The Department will provide follow-up correspondence on this requirement as the deadline approaches in 2015.

Similarly, SEA 118 modifies IC 36-7-14.5-9, requiring the secretary-treasurer of a redevelopment authority to annually report before July 1 to the fiscal body of the unit that established the redevelopment commission. This modification is not effective until July 1, 2014, so this requirement is not applicable for 2014.

July 1

NEW PROVISION

SEA 118 and Senate Enrolled Act 367 ("SEA 367") include provisions that require the Department to prepare a report for a study committee of the Indiana General Assembly before October 1, 2014. In order to prepare this report, SEA 367 allows the Department to request certain information. Redevelopment commissions, authorities, and departments are required to respond to this request by July 1, 2014. On June 5, 2014, the Department released a memo

detailing the information requested and the timeframe for submission. This memo, and the associated Excel spreadsheet, can be found at <http://www.in.gov/dlgf/2444.htm>.

July 14

IC 36-7-14-39(b)(4), IC 36-7-14-48(f), and IC 36-7-15.1-26(b)(4) require a redevelopment commission to complete a process before July 15 each year to determine the amount of excess assessed value within an allocation area, if any, that can be released to the taxing units that overlap the allocation area. In order to do this, a redevelopment commission should take the following steps:

- Determine the estimated net assessed value in the allocation area in the next tax year (pay 2015, for this year).
- Subtract from this amount the estimated base assessed value of the allocation area to arrive at the estimated incremental assessed value that may be available for capture by the redevelopment commission.
- Multiply the calculated incremental assessed value by an estimated tax rate for the allocation area for the next tax year. In estimating the tax rate, a redevelopment commission should consider any voter-approved referendum tax rates from which the redevelopment commission is not able to receive a benefit. This calculation results in the estimated tax increment revenues for the allocation area.
- Compare the calculated amount of estimated tax increment revenues to the bond payments due in the next tax year and any other purposes outlined in IC 36-7-14-39(b)(3) or IC 36-7-15.1-26(b)(3).

Based on this calculation, the redevelopment commission should determine what amount, if any, of excess assessed value exists and is available for release to the taxing units that overlap the allocation area. In doing so, the redevelopment commission may not authorize a release in assessed value if it would jeopardize its ability to meet its bond obligations.

Once an amount has been determined, the redevelopment commission must provide a written notice to the county auditor, the fiscal body of the unit that established the redevelopment commission, and the fiscal officer of the taxing units that overlap the allocation area of its determination. The notice should indicate the amount of excess assessed value that the redevelopment commission has determined can be allocated to the taxing units or must state that no excess assessed value is available for release in the next tax year. The Department does not prescribe a format for this notice. The redevelopment commission must ensure its notice meets the statutory requirements.

In order to assist with this process, a redevelopment commission may use the attached Disclosure of Contractual Obligations and Debt Service to compare obligations to the anticipated amount of tax increment revenues to be received in the next tax year. If a redevelopment commission determines that a tax increment replacement amount under IC 6-1.1-21.2 is necessary, the redevelopment commission should follow the process outlined in IC 6-1.1-21.2 and the attached form.

NEW PROVISION

SEA 118 adds subsections to IC 36-7-14-39(b)(4), IC 36-7-14-48(f), and IC 36-7-15.1-26(b)(4) that apply to the calculation described above. If the redevelopment commission determines that the excess assessed value is expected to generate more than 200% of the amount necessary to meet the redevelopment commission's bond payments or other allowable obligations, the redevelopment commission must submit to the legislative body of the unit that established the commission its determination of excess assessed value proposed to be released to the taxing units. The legislative body may approve or modify the amount of excess assessed value to be released to the taxing units. This action must be completed in time to allow the redevelopment commission to provide written notice to the required parties prior to July 15. Once the legislative body has provided its approval or modification, the redevelopment commission can proceed with providing the required written notice.

July 31

In accordance with IC 36-7-14-13(e) and IC 36-7-15.1-36.3(d), before August 1, a redevelopment commission must submit a report to the fiscal body of the unit that established the redevelopment commission. This report must include for each tax increment financing district the following items:

- Revenues received.
- Expenses paid.
- Fund balances.
- The amount and maturity date for all outstanding obligations.
- The amount paid on outstanding obligations.
- A list of all the parcels included in each tax increment financing district allocation area and the base assessed value and incremental assessed value for each parcel in the list.

This report is required to be submitted by the fiscal body of the unit to the Department through Gateway before October 1. In order to facilitate this process, the Department will make available to redevelopment commissions the required Gateway form so they may complete the July 31 requirement. Further instructions on the Gateway report will be forthcoming in the next two weeks.

Questions

If you have questions regarding the responsibilities outlined above, please contact Courtney Schaafsma, Budget Division Director, at cschaafsma@dlgf.in.gov or (317) 234-3937, or Dan Jones, Assistant Budget Division Director, at djones@dlgf.in.gov or (317) 232-0651.